



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

July 16, 2008

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To: Supervisor Yvonne B. Burke, Chair
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Supervisor Zev Yaroslavsky
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From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

SACRAMENTO UPDATE

The following memorandum provides an update on the State Budget, pursuits of position on two State budget related items, and updates on a proposed State water bond initiative, legislation to allocate voter-approved bond funds for water projects, the status of County advocacy legislation, and legislation of County interest.

State Budget Update

According to the *Sacramento Bee*, the Assembly has resumed its summer vacation and both houses will not meet prior to August 4, 2008 unless significant progress is made on the State Budget.

Pursuit of Position on State Budget Issues

Suspension of Proposition 1A (2004) and Proposition 1A (2006). One month has passed since the June 15th Constitutional deadline for the Legislature to pass a State Budget. While the Legislative leaders continue to meet, new rumors surface periodically about different elements of a budget agreement. Recently, the California State Association of Counties (CSAC) has learned that serious discussions are taking place regarding the potential suspension of the Protection of Local Government Revenues Act

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of 2004 (Proposition 1A), and the Transportation Funding Protection Act of 2006 (a separate Proposition 1A), as sources of funding to address part of the State's \$15.2 billion deficit.

While the Governor must declare a fiscal emergency, and the Legislature must pass legislation by a two-thirds vote, to suspend either proposition, this potential borrowing will not help address the State's ongoing chronic budget problems since these funds will have to be repaid within a three year period with interest. In addition, enactment of these borrowing options will only defer the State's fiscal problems to future years without any real solutions. If Proposition 1A of 2004 is suspended, the State would be able to borrow in the range of \$1.6 billion to \$1.8 billion in property tax revenues from local governments, and if Proposition 1A of 2006 is suspended, the State would be able to borrow up to an estimated \$1.6 billion.

- Proposition 1A of 2004. This measure provides Constitutional protection of local government revenues and services as they existed on November 3, 2004; however, starting this fiscal year, Proposition 1A allows the State to borrow no more than eight percent of the total amount of property tax revenues allocated among all local agencies within a county upon the Governor's declaration of a severe fiscal hardship and approval by a two-thirds vote of the Legislature.

The borrowing of these funds can only take place twice within a 10-year period and only if the State has fully repaid any prior loans, and as indicated above, it must be repaid within three years with interest. Based on the County's financial contribution to help solve the State's fiscal problems as part of the FY 2004-05 State Budget agreement, and assuming a similar shift of property tax revenues to the State among counties, cities and special districts, and current Statewide property tax revenue projections, **we estimate that approximately \$128 million to \$144 million in County General Fund revenue would be at risk in FY 2008-09 if the borrowing provisions allowed under Proposition 1A of 2004 are enacted.** If, however, the Legislature chose to adopt a different allocation method, the County's contribution could increase or even decrease.

- Proposition 1A of 2006. In November 2006, California voters approved Proposition 1A of 2006, the Transportation Funding Protection Act, which limits the State's ability to shift Proposition 42 earmarked gasoline sales tax revenues used for local transportation programs to State General Fund purposes. Similar to Proposition 1A of 2004, this measure requires the Governor to declare that a suspension of Proposition 42 is necessary due to a severe State fiscal hardship, requires approval by a two-thirds vote of the Legislature, and enactment of legislation to repay the funds with interest within three years. Proposition 1A of 2006 also limits

Proposition 42 suspensions to two fiscal years over a ten-year period and prohibits any future suspensions unless prior suspensions are fully repaid. **If the borrowing provisions allowed under Proposition 1A of 2006 are enacted, we estimate that \$55.1 million which the Department of Public Works receives for local streets and roads would be at risk in FY 2008-09.**

Therefore, consistent with your Board's action of August 10, 2004 to support and actively work for the passage of Proposition 1A which protects local funding for public safety, health, libraries, parks and other locally delivered services, and your Board's action of February 6, 2002 to support Proposition 42 to use gasoline sales tax funds for transportation purposes only, **our Sacramento advocates will work with CSAC, local government agencies and others to oppose any proposals to suspend either Proposition 1A or Proposition 42.**

The Health Care Workforce Development Program (HCWDP). In our June 18, 2008 Sacramento Update, we reported that the County would seek inclusion of funding in the State Budget for the HCWDP, consistent with your Board's action during Budget deliberations to adopt an extension of the HCWDP for FY 2008-09, the County's 1115 Waiver agreement, and existing policy to support enhanced funding for workforce development.

Since that time, our Sacramento advocates have learned that there is little likelihood of obtaining these funds through the State Budget process. However, there are two other potentially viable funding options available to the County. One possibility is to pursue a majority vote bill which appropriates special funds to the HCWDP before the Legislature adjourns on August 22, 2008. In general, some special funds can be appropriated by a majority vote if the funds are restricted by the Constitution, a voter approved initiative, Federal law, or by provisions akin to a contract. Alternatively, the County can pursue a two-thirds vote bill which appropriates State General Funds to the HCWDP. Our Sacramento advocates will be meeting with representatives of the Schwarzenegger Administration to seek their support and to attempt to identify appropriate special funds for the HCWDP.

This office and the Department of Health Services are supportive of these two options to fund the HCWDP. Support is consistent with previous Board action and existing policy as identified in our June 18, 2008 Sacramento Update. Therefore, **our Sacramento advocates will seek funding for HCWDP through the two possible legislative options cited above.**

State Water Issues

Proposed State Water Bond. Governor Arnold Schwarzenegger and Senator Diane Feinstein (D-CA) have proposed a new \$9.3 billion water bond to address water

storage, conservation, and recycling projects. The proposed bond issue was provided to Legislature leadership in an effort to work towards placing the initiative on the November ballot.

The proposed \$9.3 billion water bond includes:

- \$3 billion for new water storage projects including dams and groundwater recharge - with the State providing up to 50 percent of the funding for these projects and water suppliers responsible for the other 50 percent of the costs.
- \$1.9 billion for Delta sustainability projects.
- \$2 billion for water supply reliability projects which includes regional water supply projects, multi-regional and State priority projects, and local and regional conveyance projects.
- \$1.335 billion for conservation and watershed protection including ecosystem and watershed protection and restoration, invasive species removal, watershed restoration in fire damaged areas, and fish passage improvements and dam removal.
- \$800 million to reduce groundwater contamination and improve water quality including groundwater protection, small community wastewater treatment, stormwater management and water quality, and costal water quality.
- \$250 million for water recycling projects.

Legislation to Allocate Voter-Approved Bond Funds for Water Projects. On Monday, July 14, 2008, Senate President pro Tempore Don Perata and Assembly Speaker Karen Bass held a press conference to announce plans to amend existing legislation from the Second Extraordinary Session dealing with water supply, **SB X2 1 (Perata)**, to provide for the allocation of funds from voter-approved bond measures to fund water storage, reliability and conservation projects. In addition, **AB 2175 (Laird)**, which would establish a 20 percent water conservation target for most urban water agencies by the year 2020, was discussed as a second component of this water storage, conservation, and reliability package.

The amendments for SB X2 1 are not yet in print. However, information from the author's Website outlines a total appropriation of over \$872 million in voter-approved bonds as follows:

- **Proposition 1E:** \$250 million including funding for flood control/levee improvements, acquisition, design, and construction of Delta emergency preparedness supplies and projects, stormwater flood management including groundwater recharge and ecosystem restoration, public health and safety needs, local agencies for combined municipal sewer and stormwater systems, and San Francisco Bay watersheds.
- **Proposition 84:** \$613 million including funding for small community drinking water systems, groundwater clean-up, Integrated Regional Water Management projects and implementation, Delta water quality, Delta sustainability early actions, Statewide water planning, and protection of rivers and streams.
- **Proposition 50:** \$3.5 million for Calfed surface storage studies.
- **Proposition 13:** \$5.7 million for flood control damage reduction and drinking water quality programs.

Additional information on the impact to the County of the proposed bond initiative and legislation will be included in a future Sacramento Update.

Status of County Advocacy Legislation

County-support, if amended AB 2231 (Hayashi), as amended on May 15, 2008, which would: 1) permit Los Angeles, Napa, Sacramento, Santa Clara, and Sonoma County to increase fees for certified copies of certain vital records by up to \$2 to fund local domestic violence programs; 2) extend the sunset date for a pilot program that authorizes Alameda and Solano Counties to increase fees for marriage licenses and confidential marriage licenses from January 1, 2010, to January 1, 2015; and 3) extend the sunset date for Alameda and Solano Counties and the City of Berkeley to increase fees for certified copies of specified vital records from January 1, 2010, to January 1, 2015, passed the Senate Judiciary Committee, with amendments, on June 24, 2008 by a vote of 3 to 2. This measure now moves to the Senate Floor.

The amendments removed the authority for Los Angeles County and the other counties that were previously added to the bill to increase the fees for certified copies of certain vital records by up to \$2 to fund local domestic violence programs. At the hearing, domestic violence services advocates argued that allowing additional counties to increase marriage license fees to fund county-directed domestic violence services would "divert critical funding from direct service domestic violence programs." On July 2, 2008, AB 2231 was amended to reflect the actions taken by the Senate Judiciary Committee. Because this measure no longer includes provisions to allow Los Angeles County to increase vital record fees to fund local domestic violence programs, **our Sacramento advocates will remove our support and take no position on AB 2231.**

County-supported SB 1236 (Padilla), which extends the January 1, 2009 sunset date established by County-supported SB 1773 (Alarcon) of 2006 for five years, authorizing counties to augment the Emergency Medical Services Fund by collecting an additional penalty assessment for specified crimes, was signed by the Governor on July 3, 2008 as Chapter 60, Statutes of 2008.

Legislation of County Interest

AB 2904 (Hayashi), as amended on July 2, 2008, which would: 1) allow a board of supervisors to review case records of any child who dies under the current or prior supervision of the child welfare system; and 2) permit individual board members' offices in a county with foster care population of more than 10,000 to review child death records for the purpose of determining which cases shall be brought to the attention of the entire board of supervisors, was amended to specify that case records must be maintained in a manner that ensures maximum protection of privacy and confidentiality rights. The measure passed the Assembly Floor on July 15, 2008 by a vote of 73 to 0 and now proceeds to the Governor.

SB 434 (Romero), as amended on July 14, 2008, which would: 1) increase State participation in IHSS wages and benefits from the current cap of \$12.10 per hour to a maximum of \$15.35 per hour of which up to \$.85 per hour may be used for health benefits; and 2) retain county authority to determine wage and benefit levels via collective bargaining, was amended to delete all the provisions related to IHSS provider wages and benefits. As amended, SB 434 would now require the California Department of Health Care Services to convene a work group to make recommendations for setting Medi-Cal Long-Term Care reimbursement rates based on facility cost data. The measure was referred to the Assembly Health Committee for a hearing pursuant to a special rule. No hearing is currently scheduled.

We will continue to keep you advised.

WTF:GK:MAL
IGR:mp

c: All Department Heads
Legislative Strategist
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California Contract Cities Association
Independent Cities Association
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